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FM AMEMBASSY NEW DELHI
TO RUEHC/SECSTATE WASHDC 9966
INFO RUEHCG/AMCONSUL CHENNAI 2222
RUEHCI/AMCONSUL KOLKATA 1538
RUEHLH/AMCONSUL LAHORE 4261
RUEHBI/AMCONSUL MUMBAI 1331
RUEHPW/AMCONSUL PESHAWAR 4732
RUEHIL/AMEMBASSY ISLAMABAD 4400
RHEBAAA/DEPT OF ENERGY WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RULSDMK/DEPT OF TRANSPORTATION WASHDC
RHMFIUU/FAA NATIONAL HQ WASHINGTON DC
RUEHRC/DEPT OF AGRICULTURE WASHDC
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

UNCLAS SECTION 01 OF 03 NEW DELHI 000096

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SENSITIVE
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USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD
DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR
DEPT PASS TO USTR CLILIENFELD/AADLER
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA ABAUKOL
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN
STATE FOR SCA/INS AND EB/TRA JEFFREY HORWITZ AND TOM ENGLE

E.O. 12958: N/A

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SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS FOR THE WEEK OF
JANUARY 7-11, 2008

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11. (U) Below is a compilation of Economic highlights from Embassy
New Delhi for the week of January 7-11, 2008.

FORD PLANS USD 500 MILLION
UPGRADE TO ITS CHENNAI PLANT

12. (SBU) Ford India announced on January 8 that it will invest USD
500 million in its Chennai production facility over the next three
years. The investment will allow the plant to double its production
capacity to 200,000 cars per year, giving it the volume necessary to
enter India's small-car market by 2010. Ford will also use the
investment to build a diesel-engine assembly plant that can produce
50,000 units per year. A senior Ford India executive told Consulate
Chennai that the investment should create some 12,000 new jobs
(directly and indirectly) and that Ford's investment will spur its
suppliers to invest an additional USD 500 million to keep up with
the Chennai facility's increase production capacity.

SOUTH INDIA'S BIG NAMES TAKE A BEATING
IN US MARKETS

13. (SBU) Some of South India's most famous companies took a Wall
Street drubbing in the first week of 2008. Rupee appreciation and
fears of an economic slowdown punished U.S.-listed IT majors like
Infosys, Cognizant, and Wipro during the first week of 2008. Senior
executives from these companies told Consulate Chennai that share
prices began to tumble immediately after conference calls with
analysts held to discuss quarterly results. They told us that
analysts repeatedly demanded information about the companies'
strategies to increase productivity, handle wage inflation, and
manage the negative effects of an appreciating rupee, and that the
analysts seemed generally dissatisfied with the companies'
responses. A local analyst with a major international bank told us
that Wall Street-listed Indian companies lost close to USD 6 billion

in valuation during the first week of 2008. He expects these firms' share prices to perform poorly this quarter.

MCDONALD'S LOSES TRADEMARK
CASE TO INDIAN COMPANY

14. (U) The Indian Supreme Court ruled on January 7 that the Bangalore-based "Sterling's MAC Fast Food" did not violate McDonald's intellectual property rights (IPR) by using "MAC" in its logo. The original court case, filed by McDonald's in 1998, was decided in McDonald's favor, but was overturned by the Karnataka High Court, whose decision was upheld on January 7 by the Supreme Court. A Chennai-based IPR lawyer told Consulate Chennai that this ruling could encourage Indian companies to adopt logos for products and firms that sound or look similar to the logos of established, internationally recognized brands.

NEW FINANCIAL SERVICES
SECRETARY AT MOF

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15. (U) Effective January 9, 58-year old Arun Ramanathan was appointed the new Secretary of the Ministry of Finance's Department of Financial Services, replacing Vinod Rai who took over as Comptroller and Auditor General of India earlier this month. Ramanathan, an Indian Administrative Officer of the 1973 batch, is from the Andhra Pradesh cadre. Prior to this position, he was Secretary at the Department of Chemicals and Petrochemicals,

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Ministry of Chemicals and Fertilizers since June 2007, overseeing the implementation of the Reddy Data Protection Committee Report and the issue of pharmaceutical pricing in India. Ramanathan has held several important assignments in various ministries in Andhra Pradesh, including the Department of Food & Civil Supplies, and the Ministries of Fisheries, Finance, and Transport. He holds a number of graduate degrees including Nuclear Physics from Andhra

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University, Business Management from Madras University and Development Economics from Cambridge University. He is also an Associate of the Institute of Cost and Works Accountants of India.

FDI INFLOWS SURGING

16. (U) A year end annual review by India's Department of Industrial Policy and Promotion (DIPP) indicates that foreign direct investment (FDI) inflows (including reinvested earnings) into India rose fivefold to \$19.5 billion from \$4.3 billion between fiscal years 2003-04 and 2006-07. FDI inflows totaled \$15.7 billion in FY 2006-07. From April to September 2007, FDI inflows totaled \$7.2 billion, with most funds coming through Mauritius, because of its pass-through tax benefits. The services sector witnessed the highest FDI inflow, followed by the telecom and the real estate sectors. A good portion of the newer FDI has also come in the form of private equity, which reached \$17 billion in 2007. India's position in the World Bank's ranking of "Doing Business" has improved to 120 in 2008 from 138 in 2006. The DIPP review further notes that as a percentage of total investment, the share of FDI rose to 6.42% in 2006-07 from 2.55% in 2003-04. FDI contributed 2.31% to India's GDP last year, up from 0.77% in 2004.

TATA MOTORS LAUNCHES THE NANO -
CHEAPEST CAR IN THE WORLD

17. (U) After nearly four years of anticipation, India's largest auto manufacturer Tata Motors launched the Nano or the "People's Car" at this week's Auto Expo in New Delhi. With the basic model priced at INR 1 lakh or 100,000 (USD 2554), the Nano runs on petrol and is being marketed in the smaller cities for nuclear sized families whose primary means of transportation are motorbikes and two wheeler scooters. Tata hopes that by offering the most

competitively priced car in the Indian market today to create a new class of buyers in India's lower income groups, rural areas, as well as among the rising middle class looking for a second or third car. The Nano costs less than half the price of the second lowest priced car by competitor Maruti.

¶8. (U) However, industry observers are already predicting future price wars in the cheap car segment, not just in India but possibly internationally. Critics of the People's Car raise concerns about the car's safety and load capacity as well as broader concerns about the impact of this car in India, including road congestion, inadequate infrastructure, pollution, and increased demand for petroleum despite rising gas prices. Tata Motors has countered these claims by ensuring the public that the vehicle meets all the appropriate safety, environment, and emissions standards.

HIGH POWERED ADVISORY GROUP ON
MANUFACTURING

¶9. (U) Aiming at long-term sustained growth in the manufacturing sector, Prime Minister Singh has established a High Powered Group. Dr. V. Krishnamurthy, Chairman of the National Manufacturing Competitiveness Council (NMCC), will head the group to recommend measures to help accelerate growth in manufacturing. The group's mandate includes making recommendations on current policy and suggestions for steps to a) devise a mechanism to ensure sustained growth of the Indian manufacturing industries for the next 10-15 years; b) address the recent deceleration in the growth of the manufacturing industries; c) boost exports of labor intensive manufactured goods in light of the appreciating rupee and high interest rates; and d) leverage foreign investment to modernize manufacturing in India and create a strong technological base. Other members of this High Powered Committee include the Secretaries of Finance, Revenue, Commerce, Textiles, and Industrial Policy & Promotion and the Member Secretary of the NMCC. The group will submit its final recommendations to the Prime Minister within three months (by about mid-April) but is also likely to present interim

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recommendation in the short term.

¶10. (U) Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>

MULFORD